

AR20

67th

annual report
1969

Full

board of directors

Ralph M. Barford, Toronto, Ont.

President, General Steel Wares Ltd.

Roger H. Charbonneau, C.A., M.B.A., Montreal, Que.

Dean, Ecole des Hautes Etudes Commerciales de Montreal

Frederick G. Gardiner, Q.C., LL.D., Toronto, Ontario

*Partner, Gardiner, Roberts, Anderson, Conlin,
Fitzpatrick, O'Donohue and White*

Joseph S. Land, Montreal, Que.

Chairman of the Board

William R. Livingston, C.L.U., Toronto, Ont.

President and Managing Director

H. Melville Meiklejohn, Winnipeg, Man.

Robert E. Moore, Winnipeg, Man.

Partner, Moody, Moore and Partners

Lyndon E. Nichol, Montreal, Que.

President, Industrial Acceptance Corporation Limited

John B. Pennefather, M.B.E., Montreal, Que.

Chairman, Industrial Acceptance Corporation Limited

Joseph H. Ranahan, Montreal, Que.

Director, Industrial Acceptance Corporation Limited

Arthur J. Vincent, Winnipeg, Man.

President, Smith, Vincent & Co. Limited

Grant E. Wemp, Montreal, Que.

Honorary Chairman, Industrial Acceptance Corporation Limited

executive officers

J. S. Land

Chairman of the Board

W. R. Livingston, C.L.U.

President & Managing Director

J. H. Sutherland, C.L.U.

Vice-President

R. J. McBey, R.I.A.

Assistant Vice-President & Secretary

A. L. Thomson, F.C.I.A., A.S.A.

Assistant Vice-President & Actuary

a brief progress report

	1969	1968
BUSINESS IN FORCE	\$760,603,100	\$680,316,998
Ordinary	310,988,403	293,557,862
Group	449,614,697	386,759,136
NEW BUSINESS		
Ordinary	46,883,653	44,011,198
TOTAL POLICYOWNER BENEFITS	8,499,812	7,798,497
Dividends	660,189	720,191
Other Benefits	7,839,623	7,078,306
PREMIUM INCOME	8,316,441	7,600,285
INVESTMENT INCOME	3,692,669	3,461,936
TOTAL ASSETS	<u>62,543,060</u>	<u>60,429,744</u>
NET INVESTMENT YIELD	6.20%	6.05%
INVESTMENT & CONTINGENCY RESERVES	1,650,000	1,400,000
CAPITAL AND SURPLUS	6,979,396	6,626,392
Si vous désirez recevoir un exemplaire en français de ce Rapport annuel, veuillez vous adresser à notre succursale la plus proche.		

report of directors

for the year 1969

The Directors submit herewith their 67th Annual Report including the audited Financial Statements for the year 1969, with comparative figures for 1968.

New Business and Business In-force

New ordinary insurance and annuities issued in 1969 totalled \$46.9 million, an increase of 6.5% over 1968. The annual premium income value of this new business is \$630,000, compared to \$647,000 in 1968, the slight decrease reflecting a larger proportion of term insurance sold in 1969.

The encouraging growth in new business continues the upward trend of past years, and importantly results from the development programs for sales personnel initiated earlier. The total of business in-force at the year end reached \$760.6 million, an increase of 11.8% during the year.

Of total business in-force, group accounted for \$449.6 million at the end of 1969 which compared with \$386.8 million at the previous year end.

Revenue

Revenue, consisting of earned premiums and investment earnings such as interest, dividends and rents, increased during 1969 to \$12,009,110 from \$11,062,221 in 1968, representing another all-time record. This increase resulted from the growth of business in-force and higher investment earnings, arising from a larger portfolio and generally higher yields. Net profit from the disposal of securities, mainly common stocks, was \$299,215, compared with \$112,189 in 1968.

Policyowner Dividends and Other Payments

Partly as a reflection of monetary conditions during the past year policy surrenders increased. As a consequence dividends allocated to participating policyowners declined to \$660,189 despite the fact that the dividend scale was maintained. This factor also accounted for a smaller net increase than in the previous year in actuarial reserves for insurance and annuity contracts.

In 1969, total payments to policyowners and beneficiaries and the amount set aside to increase actuarial reserves, totalled \$8,499,812 (1968—\$7,798,497).

Expenses and Taxes

While total business volume increased during the year, and costs of doing business continued their upward trend, careful budgeting and controls limited the increase in operating expenses to 4.8% over the previous year.

Provision for investment and income taxes, necessitated by new Federal Tax regulations, amounted to \$500,000. No similar provision was required in 1968. This sharp increase in taxes results in a reduction of funds available for other uses within the Company, and ultimately must have an effect on the cost of life insurance to policyowners.

Assets and Investment Yield

Total assets increased during the year by \$2.1 million. Mortgages continued to represent just under 50% of total assets, and this portfolio performed satisfactorily in all respects. Holdings of common and preferred stock increased again during the year to 5.8%, compared to 4.3% in 1968. This change was in conformity with current investment policy aimed at a gradual increase in such investments.

Net yield on all investments, after related expenses of \$270,019, increased to 6.20% from 6.05% in 1968, and was the highest rate ever recorded by the Company.

Total book value of marketable securities, as stated in the Balance Sheet, was \$938,946 in excess of values authorized by the Federal Department of Insurance. To provide for fluctuations in security values, Investment and Contingency Reserves totalling \$1,650,000 have been established.

Actuarial Reserves and Other Liabilities

Actuarial reserves for insurance and annuity contracts, at year end, amounted to \$45,613,464 which, with future premiums and investment earnings, are actuarially calculated to provide for all payments guaranteed under the terms of the Company's policies. Ample provision, amounting to \$3,905,506, was made for other liabilities, including amounts on deposit, claims awaiting settlement, unreported claims and group experience rating refunds.

Total Capital and Surplus Accounts

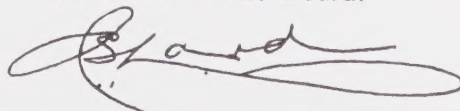
After transferring an additional amount of \$250,000 to the Contingency Reserve an amount of \$353,004 was transferred to unassigned surplus which, as at December 31, 1969, totalled \$6,672,446. Accordingly the total of capital, surplus, and reserve accounts was \$8,629,396, equal to 13.8% of assets, which provides a substantial margin of protection for all policy-owners.

As this report illustrates, the past year was one of solid progress for the Company. Any review of 1969 would be incomplete without special acknowledgement of the efforts of Sovereign personnel in Branch Offices across Canada and in Head Office. Your Directors record their appreciation and thanks to all members of the Sovereign family for their important contribution to the Company's progress.

During the past decade many changes have taken place in our economic and financial environment, and undoubtedly more will occur in the coming decade. Throughout, however, one fact remains unchanged: the unique capacity of a life insurance contract to solve financial problems by providing guaranteed payments of fixed dollar amounts at some unpredictable future date, at a time of death, disability or retirement.

While recognizing the importance of past accomplishments, the true measure of a successful company is its capability for future growth. Sovereign is well positioned to respond creatively and with imagination to serve present and future policyowners. The Directors look with continued confidence to the new decade with its many exciting opportunities.

On behalf of the Board.

A handwritten signature in dark ink, appearing to read "J. S. Land", written over a horizontal line.

J. S. Land, *Chairman*

A handwritten signature in dark ink, appearing to read "W. R. Livingston", written in a cursive style.

W. R. Livingston, *President and
Managing Director*

statement of revenue

for the year ended December 31, 1969

REVENUE	1969	1968
Premiums and annuity considerations	\$ 8,316,441	\$ 7,600,285
Net investment income	3,692,669	3,461,936
	<u>12,009,110</u>	<u>11,062,221</u>
EXPENDITURE		
Paid to or set aside for policyowners and beneficiaries:		
Death and disability claims	3,107,389	2,418,812
Matured endowments	666,884	654,039
Annuity benefits	210,789	214,327
Surrender values	2,810,186	1,879,084
Increase in actuarial reserves	674,784	1,767,061
Interest credited to funds on deposit	155,365	149,592
	<u>7,625,397</u>	<u>7,082,915</u>
Dividends to policyowners ..	660,189	720,191
Policyowners' investment taxes	80,000	—
Provision for group experience rating refunds	134,226	(4,609)
	<u>8,499,812</u>	<u>7,798,497</u>
Operating expenses	<u>2,785,509</u>	<u>2,657,566</u>
Operating revenue before income taxes	723,789	606,158
Provision for income taxes	420,000	—
Operating revenue	<u>303,789</u>	<u>606,158</u>
Net profit on disposal of securities	<u>299,215</u>	<u>112,189</u>
Excess of revenue for the year ..	<u>\$ 603,004</u>	<u>\$ 718,347</u>
ALLOCATED AS FOLLOWS		
Increase in unassigned surplus	353,004	318,347
To contingency reserve	250,000	400,000
	<u>\$ 603,004</u>	<u>\$ 718,347</u>

balance sheet

as at December 31, 1969

ASSETS
Bonds and debentures, at amortized cost or less (note
Common and preferred stocks at cost or less (note)
First mortgages and agreement for sale on real estate
Loans on policies, secured by cash values
Real estate
Purchased for income, at cost less amounts written off—\$62,679 (1968—\$49,989)
Cash
Premiums in course of collection
Investment income due and accrued
Other assets

NOTE:

Valuation of bonds and debentures and preferred and common stocks—

Value stated in the balance sheet

Estimated market value

Maximum value at which these securities may be carried as prescribed by the insurance laws of Canada

AUDITORS' REPORT TO THE POLICYOWNERS AND SHAREHOLDERS

We have examined the balance sheet of The Sovereign Life Assurance Company of Canada as at December 31, 1969 and the statement of revenue for the year then ended. Our examination included verification of the cash and investments in bonds and stocks by certificates from the depositories, a general review of the

accounting procedures and such testing evidence as we considered necessary.

The reserves and other liabilities under contracts are stated at amounts certified by the actuaries.

In our opinion, based upon our examination of the company's actuary, these financial statements are

head office

TORONTO

1320 Yonge Street, Toronto 7
Canada

branch offices

HALIFAX

Bayers Rd. Shopping Centre

ST. JOHN'S

Anderson & Howlett Avenues

MONTREAL

1290, rue St-Denis
1945, boul Graham

COWANSVILLE

125, rue Church

DRUMMONDVILLE

100, place Girouard

SHERBROOKE

2851 King Street West

QUEBEC

235, boul Wilfrid-Hamel

THETFORD MINES

466, rue O'Meara

OTTAWA

1762 Carling Avenue

BELLEVILLE

174 Front Street

TORONTO

1320 Yonge Street

HAMILTON

105 Main Street East

ST. CATHARINES

61 James Street

KITCHENER-WATERLOO Waterloo Square

LONDON

583 Willowdale Avenue
493 Dundas Street

WINNIPEG

1311 Portage Avenue

REGINA

1874 Scarth Street

SASKATOON

310, 22nd Street East

CALGARY

1300, 8th Street S.W.

EDMONTON

10830 Jasper Avenue
10042 - 106 Street

VANCOUVER

777 Hornby Street
1070 West Broadway

Sovereign is a member of the IAC group of companies which provides throughout Canada a wide range of financial and insurance services including wholesale and retail sales financing, leasing, capital loans to business, consumer loans and casualty insurance.